

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL
D. T. E. 05-27

Date: July 20, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

SUPPLEMENTAL RESPONSE

AG-3-16 Referring to Exhibit BSG/JES-1, Workpaper JES-6, page 20, line 10, please provide a copy of the letter of engagement as well all work product and invoices to date as a result of that engagement.

Response: Please see Attachment AG-3-16 (a) for copies of contractual agreements between Bay State Gas Company and META Group and other related material.

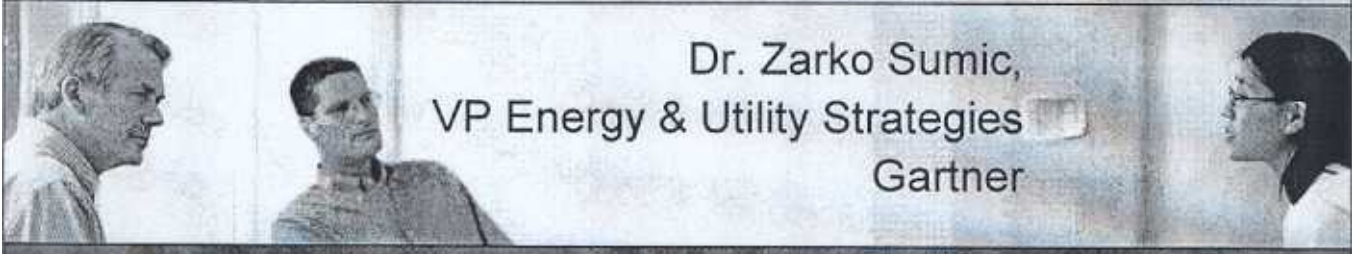
Attachment AG-3-16 (b) includes copies of all META Group invoices that have been processed to date.

The work product from META Group has not been finalized, and will be provided upon completion.

SUPPLEMENTAL RESPONSE

See Attachment AG-3-16 (c) for a copy of the META Group work product.

Bay Sate Gas CIS Implementation Survey



Dr. Zarko Sumic,
VP Energy & Utility Strategies
Gartner



To be used exclusively to support Bay
State Gas Rate Case

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CIS Implementation Cost: Sample Demographic 1

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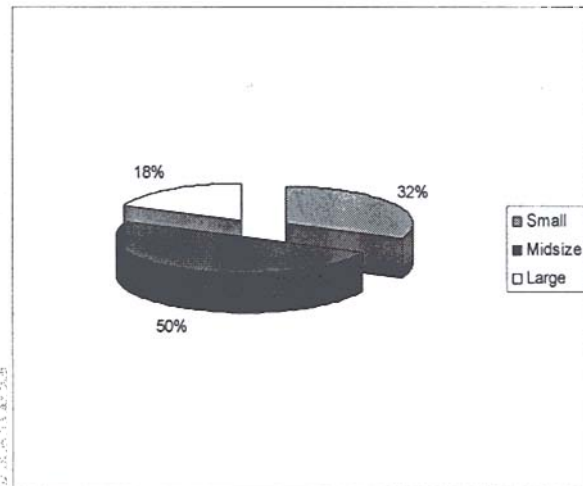
■ 38 CIS implementation projects analyzed

- 12 Small energy utilities (under 500,000 meters)
- 19 Midsize energy utilities (from 500,000 to 1,500,000 meters)
- 7 Large energy utilities (above 1,500,000 meters)

■ Average utility size:

- 1,255,637 meters

Number of CIS Implementations by Category



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CIS Implementation Cost: Sample Demographic 2

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■ Aggregated number of meters per category

■ Small

– 3,078,174

■ Midsize

– 17,765,392

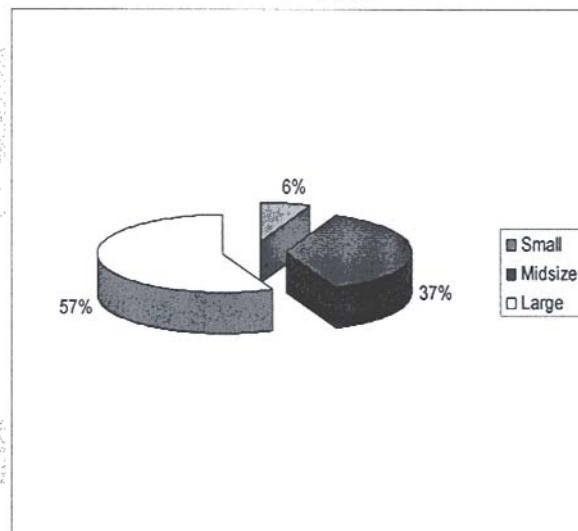
■ Large

– 26,878,520

■ Total number of meters under consideration

– 47,714,218*

Number of Meters by Category



* This represent more then 15% of total meters in US market

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CIS Implementation Cost: Sample Demographic 3

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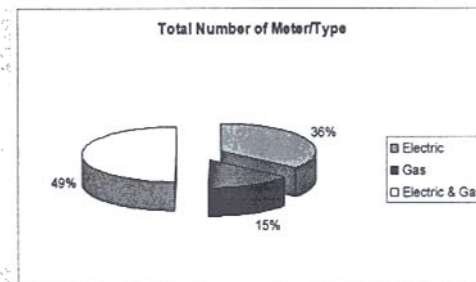
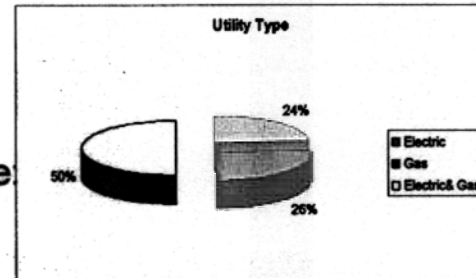
■ CIS Implementation by Utility Type

- 9 Electric utilities
- 10 Gas utilities
- 19 Electric & Gas utilities

■ Total Number of Meter by Utility Type

- Electric
 - 16,953,702
- Gas
 - 7,041,972
- Electric & Gas
 - 23,718,544

CIS Implementation by Utility Type



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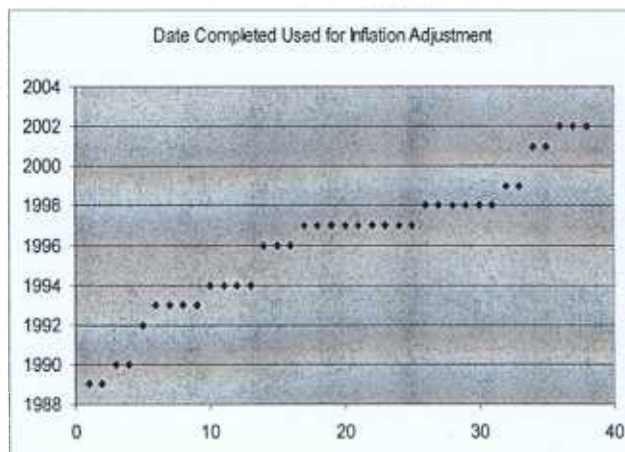
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CIS Implementation Cost: Implementation dates and inflation adjustment

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Year	CPI
1989	1.51
1990	1.43
1992	1.33
1993	1.29
1994	1.26
1996	1.19
1997	1.17
1998	1.15
1999	1.12
2001	1.06
2002	1.04



Small Utilities

Bay State Gas Company
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	Company	Services	Size	Number of Meters (FERC)	CIS System	Total Cost Reported	Cost per Meter at the time	Total Cost Reported Adjusted for Inflation	Cost per Meter Adjusted for Inflation	Date Completed Used for Inflation Adjustment	Source
1	Kansas City Power & Light	Electric	Small	450,000	SPL	\$15,000,000	\$33	\$17,730,000	\$39	1997	AGA/EI Survey
2	Clay Electric Coop- FL	Electric	Small	140,000	Orcom	\$4,000,000	\$29	\$4,730,000	\$34	1997	META EIS
3	Banger Hydro - Electric Co.	Electric	Small	113,216	SCT	\$6,000,000	\$53	\$7,250,000	\$64	1996	Chartwell 1996
4	Orange & Rockland	Electric & Gas	Small	406,632	Customer 1	\$26,000,000	\$61	\$29,560,000	\$73	1997	META EIS
5	Utilicorp United Inc. (Aquila)	Electric & Gas	Small	376,314	SPL	\$35,000,000	\$93	\$40,730,000	\$108	1996	Chartwell 1996
6	Western Resources	Electric & Gas	Small	348,041	Customer 1	\$35,000,000	\$100	\$50,000,000	\$146	1990	META EIS
7	City of Palo Alto	Electric, Gas, Water	Small	61,000	SCT	\$1,200,000	\$20	\$1,420,000	\$23	1997	G2R
8	Alabama Gas Corporation	Gas	Small	450,000	PwC	\$15,000,000	\$33	\$16,140,000	\$40	1996	AGA/EI Survey
9	Equitable Gas	Gas	Small	270,000	PwC	\$15,000,000	\$56	\$19,690,000	\$73	1993	META EIS
10	Yankee Gas Service Company	Gas	Small	175,972	IBMCSS	\$8,500,000	\$47	\$9,890,000	\$56	1996	AGA/EI Survey
11	Berkshire Gas Co. (Energy East)	Gas	Small	33,000	SFG	\$2,000,000	\$61	\$2,364,000	\$72	1997	Chartwell 1996
12	City of Charlotte Utilities	Electric	Small	250,000	SCT	\$5,400,000	\$22	\$6,380,000	\$26	1997	Chartwell 1996
13	Bay State Gas	Gas	Small	330,000	NIPSCO	23,670,000	\$71.72	2461680	\$74.59	2002	Bay State Gas

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Midsize Utilities

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	Company	Services	Size	Number of Meters (FERC)	CRM System	Total Cost Reported	Cost per Meter at the Time	Total Cost Reported Adjusted for Inflation	Cost per Meter Adjusted for Inflation	Used for Inflation Adjustment	Source
1	Carolina Power & Light (CP&L)	Electric	Midsize	1,250,288	Customer 1	\$45,000,000	\$36	\$58,800,000	\$48	1993	META EIS
2	Connecticut	Electric & Gas	Midsize	994,095	SAP	\$50,000,000	\$50	\$58,190,000	\$59	1998	META EIS
3	Sempra	Electric & Gas	Midsize	1,245,869	Customer 1	\$40,000,000	\$32	\$51,200,000	\$41	1994	META EIS
4	Baltimore Gas & Electric	Electric & Gas	Midsize	1,158,322	Customer 1	\$77,000,000	\$66	\$117,800,000	\$102	1988	META EIS
5	Electric & Gas Utility	Electric & Gas	Midsize	1,000,000	SCIT	33,000,000	\$33	34,800,000	\$35	2002	META EIS
6	Oklahoma Gas & Electric	Electric & Gas	Midsize	795,490	SAP	50,000,000	\$66	58,190,000	\$77	1998	META EIS
7	Portland General Electric	Electric & Gas	Midsize	733,785	SCIT	60,000,000	\$86	83,980,000	\$113	2001	META EIS
8	Louisville Gas & Electric	Electric & Gas	Midsize	700,000	PwC	20,000,000	\$29	27,040,000	\$39	1992	META EIS
9	MidAmerican Energy Co.	Electric & Gas	Midsize	690,919	Customer 1	45,000,000	\$65	50,300,000	\$73	1997	Charwell 1998
10	Windsor Power	Electric & Gas	Midsize	622,548	Customer 1	40,000,000	\$64	49,600,000	\$80	1995	META EIS
11	SCANA	Electric & Gas	Midsize	503,282	PwC	45,000,000	\$91	53,190,000	\$106	1999	META EIS
12	Colorado Springs Utilities	Electric, Gas, Water	Midsize	551,824	SPL	12,000,000	\$22	14,510,000	\$26	1996	Charwell 1998
13	IPL Energy	Gas	Midsize	1,300,000	PwC	55,300,000	\$43	60,800,000	\$47	1995	AGAVE Survey
14	CNG (bought by Dominion)	Gas	Midsize	1,300,000	PwC	40,000,000	\$33	47,380,000	\$36	1997	AGAVE Survey
15	Michcon (merged with DTE)	Gas	Midsize	1,200,000	IBM	50,000,000	\$42	58,100,000	\$48	1997	META EIS
16	Southwest Gas Corporation	Gas	Midsize	1,120,000	ACTRON	15,000,000	\$13	20,600,000	\$18	1990	META EIS
17	Electric & Gas Utility	Electric & Gas	Midsize	1,400,000	X	75,000,000	\$54	80,340,000	\$57	2001	META EIS
18	Piedmont Natural Gas	Gas	Midsize	710,000	PwC	15,000,000	\$21	21,770,000	\$31	1994	META EIS
19	Gas Company	Gas	Midsize	580,000	PwC	24,000,000	\$41	26,720,000	\$46	1989	META EIS

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Large Utilities

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	Company	Services	Size	Number of Meters (FERC)	CIS System	Total Cost Reported	Cost per Meter at the time	Total Cost Reported Adjusted for Inflation	Cost per Meter Adjusted for Inflation	Date Completed Used for Inflation Adjustment	Source
1	Southern California Edison	Electric	Large	4,632,840	Custom IBM	176,300,000	\$39	165,690,000	\$41	2002	META EIS
2	Southern Company	Electric	Large	4,116,677	Customer 1	120,000,000	\$29	163,000,000	\$37	1994	META EIS
3	Commonwealth Edison	Electric	Large	3,927,791	Customer 1	100,000,000	\$25	128,000,000	\$33	1994	META EIS
4	GPU	Electric	Large	2,171,001	SAP	60,000,000	\$23	68,100,000	\$27	1998	META EIS
5	Pacific Gas & Electric	Electric & Gas	Large	8,660,000	SPL	240,000,000	\$28	253,070,000	\$29	2002	META EIS
6	Cincinnati Gas & Electric	Electric & Gas	Large	1,734,000	CBC/Beverly Trent	80,000,000	\$46	105,020,000	\$61	1993	AGA/EIS Survey
7	Niagara Mohawk	Electric & Gas	Large	1,726,463	Customer 1	66,930,000	\$33	63,000,000	\$31	1999	META EIS

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Implementation Cost Range per Utility Type

Utility Characteristics	Electric Utilities		Gas Utilities		Electric & Gas Utilities	
	Range \$/ Meter	Data Points	Range \$/ Meter	Data Points	Range \$/ Meter	Data Points
Small Utilities (<500,000 Meters) Bay State Gas Company & Northern Utilities (Maine & New Hampshire)	\$34-\$64	4	\$40-\$73 \$74.6	4 1	\$23-\$146	4
Midsized Utilities (500,000 – 1,500,000 Meters)	\$48	1	\$18-\$63	6	\$26-\$102	12
Large Utilities (>1,500,000 Meters)	\$27-\$41	4	--	--	\$29-\$61	3

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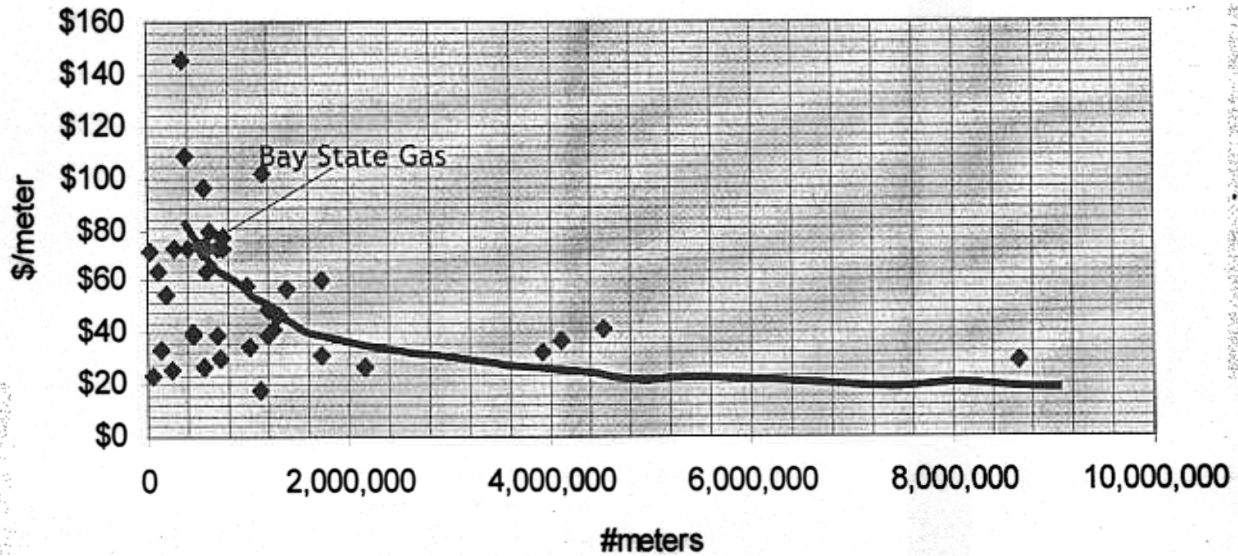
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CIS Implementation Cost by Size

CIS Implementation Cost by Utility Size

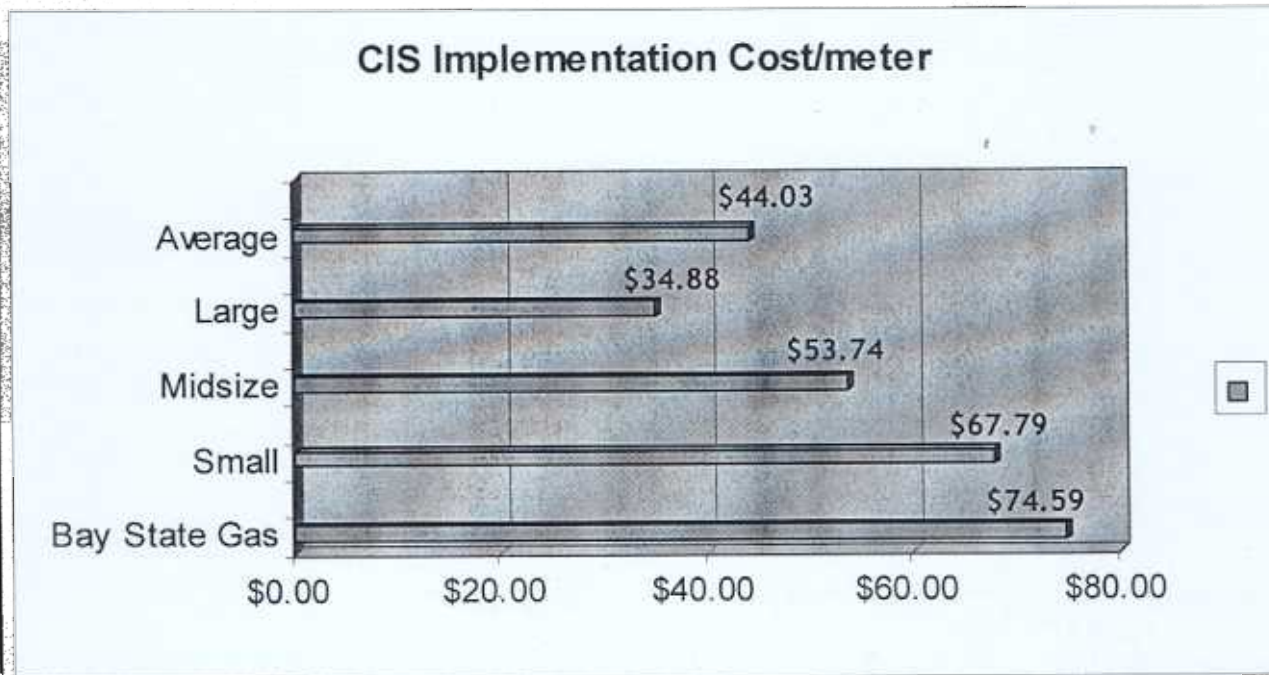


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CIS Implementation Cost Per Meter



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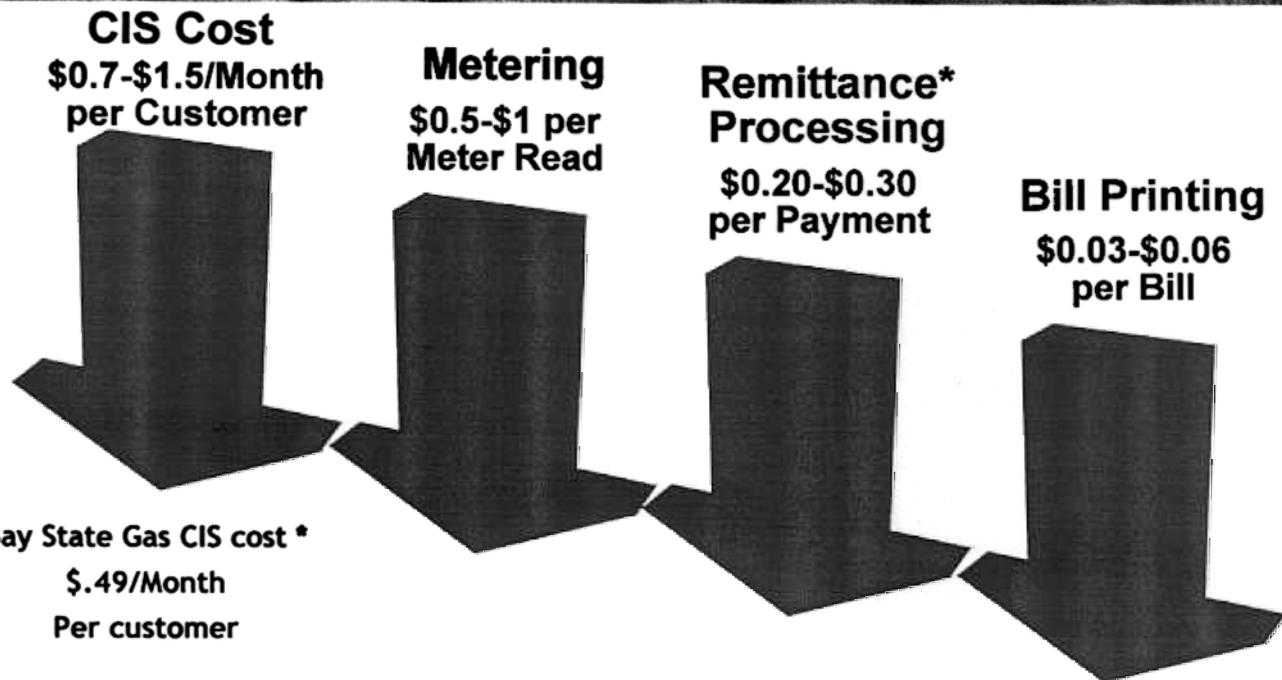
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**CIS Pricing Benchmarks and Trends:
2000-04**

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**Does not include LOB cost*

**Including both third-party agents and local offices*

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COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
NINTH SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL
D. T. E. 05-27

Date: July 20, 2005

Responsible: Joseph A. Ferro, Manager Regulatory Policy

BULK ATTACHMENT

AG-9-38 Please provide all audit reports and related documents associated with audits or reviews conducted by Bay State personnel, outside auditors or consultants or by NCSC of the Company's CGA, LDAC or any component of these reconciling adjustment mechanisms that have been conducted during the past 5 years (2000-present).

Response: The Company and NCSC have informally reviewed Bay State's CGAC and LDAC processes on a consistent basis and as part of the overall regulatory oversight and management of these processes since the CGAC was initiated in 1989. In other words, the NCSC and Bay State accounting staff routinely conduct evaluations of the efficacy and accuracy of the processes employed, but these activities do not result in any formal issuance of a final report.

There have been no audits or reviews of Bay State's CGA or LDAC since 2000 conducted by an outside auditor or consultant, although Mr. Bryant agreed in in-hearing testimony that Bay State would submit to such an audit if the Department believed it was necessary.

Mr. Ferro recalls three reviews of a more focused nature that may be responsive to this request, however, no final reports or audit reports were issued from these three formal internal reviews. Nevertheless, as described below, these reviews did result in actions being taken that improve the Company's regulatory performance with regard to its CGAC and its LDAC.

One internal review Mr. Ferro recalls was undertaken to streamline the flow of data, with the intention or hope that such a process would facilitate the: (1) calculation of seasonal CGAs by better integrating the forecasting models; (2) generation of monthly variance reporting; and (3) preparation of changing to a Simplified MBA approach. The focus was to accomplish these initiatives by adopting the use of an MS Access Database. The review concluded with the development of a scaled down MS Access Database incorporating a revenue element, which allows the Company to better track the revenue recovery components of the CGA and LDAC.

Mr. Ferro is also aware of another internal review that was conducted beginning in late 2000. The goal of this review was generally to: (1) codify the steps / tasks in producing CGAs and LDAC rates; (2) address some difficulties experienced in carrying out the gas costing function in a timely manner; and (3) manage the associated tasks of accounting for and monitoring the gas costing and regulatory activity. The review was undertaken for Bay State in Massachusetts as well as Northern in Maine and N.H. The review was, in great part, intended to provide a guidemap for completing a late 2000 transitioning of the CGA and LDAC accounting function to NiSource Corporate Services in Columbus.

The third review related to the CGAC and LDAC functions was in connection with preparing invoice reconciliations and filing such reconciliations with the Department. The Company undertook this initiative because it was struggling to meet the Department's expectations of submitting invoices and schedules in a timely manner for the purpose of facilitating the Department's auditing of CGAC and LDAC costs and collections. The results of this effort came in the form of filing well-organized invoice reconciliations. These filings have been made typically 2 weeks in advance of the required timing of submitting the CGA (and LDAC) reconciliation filings. Attachment AG-9-38 is a copy of the last Peak Period invoice reconciliation filing made with the Department for the 2003-04 Peak Period.

Mr. Ferro also notes that other findings from the intermittent informal reviews conducted by Company personnel are reflected in some of the changes in the Company's proposed tariff revisions filed in this case.

BULK ATTACHMENT